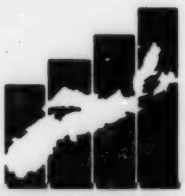
Our Province
Our Future
Our Choice

A Consultation Paper for

A Nova Scotia Economic Strategy



VOLUNTARY
PLANNING

March 1991

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91-04462/

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"The only certainty
is that the status quo
is no longer an option"

PREFACE

"We hope Nova Scotians who want to make a difference to their province will use this document as the basis for lively and important discussions about our collective future. "

In June 1988, Voluntary Planning — an independent advisory group made up of business, labor and community groups — wrote to the Government of Nova Scotia urging it to update and replace Building Competitiveness, the 1984 "White Paper on Economic Development" that had been serving as the province's primary economic strategy document.

We believed this document had been — or was about to be — overtaken by events, ranging from the Canada-U.S. Free Trade Agreement and the new round of multilateral trade negotiations under the General Agreement on Tariffs and Trade to the growing interest in the concept of "sustainable development" and the emerging role of the information technologies in business expansion and growth.

In January 1989, the Government of Nova Scotia invited Voluntary Planning to participate in developing this new strategy.

Since then, Voluntary Planning has established a "Core Committee" from among its members (along with members representing the Council of Applied Science and Technology and the Trade Council, two private sector advisory groups to Government) to serve as the primary focus for development of a new strategy. Voluntary Planning has also had access to helpful advice and assistance from members of the staff of the Department of Industry, Trade and Technology and of private consultants.

This "Economic Strategy Consultation Paper" is not a government document. It is a Voluntary Planning discussion paper. It is important to make the point that this paper is not intended to be a carved-in-stone economic blueprint. Its purpose is to propose what we believe is a bold but reasoned vision of our economic future. It attempts to:

- propose a clear goal for our economic strategy, based on a series of core values that Nova Scotians share.
- detail what we will describe as "levers for competitive success" that Nova Scotians can "pull" to help achieve our goal.

You won't find a detailed strategy for forestry, or for manufacturing, or for any other specific sector in this consultation paper. Its purpose — along with the final economic strategy document — is to provide a framework into which specific sector strategies can fit. Some sector strategies — in Transportation, Energy and Environment — are now being prepared, and we hope the proposals we make in this consultation paper will be relevant to those efforts.

We know not everyone will agree with every proposal in this discussion paper. There are inevitably differences of opinion about specific issues — even among members of Voluntary Planning — but we in Voluntary Planning also recognize that we can only create change as the result of a process of discussion and debate. That is the purpose of this consultation paper.

More broadly, we hope Nova Scotians who want to make a difference to their province will use this document as the basis for lively and important discussions about our collective future.

— Allan C. Shaw
Chairman, Voluntary Planning
February 1991

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Published by:
VOLUNTARY PLANNING
Suite 600
Joseph Howe Building
1690 Hollis Street
Halifax, Nova Scotia
Canada B3J 3L9

March 1991

THE CHALLENGE OF CHANGE

"The only certainty is that the
status quo is no longer an option."

Nova Scotia is at a critical crossroads in its economic history. The world is changing rapidly and inevitably:

- Traditional international political and trading alliances are shifting.
- Trade barriers — inter-provincial as well as international — are falling.
- Global advances in technology are altering the way products are made and marketed, and the ways in which business itself is conducted.
- Big is no longer synonymous with "better" when it comes to business.
- Everyone — from heads of state, to heads of corporations, to heads of households — has become aware that economics and environment are inter-connected and that we must preserve and enhance our environment in order to be successful economically.

Those changes create opportunities. But Nova Scotia faces enormous difficulties too. Some problems — like the current recession — are temporary; others involve significant structural, long-term changes in our economy.

- The traditional "share-the-wealth" federalist economic bargain that has existed between Canada's rich and poor regions for much of this century is breaking down.
- The amount of transfer payments Ottawa provides to Nova Scotia each year is becoming more and more uncertain, and the level of federal commitment to such transfers appears to be declining. For example, the level of federal funding for health and education has been frozen at the 1989-90 levels until at least 1995-96.
- The Nova Scotia Government must face these grim external realities at a time when its own provincial debt is too high.
- In the aftermath of the failure of the Meech Lake Accord, ad-

"Man often becomes what he believes himself to be. If I keep on saying to myself that I cannot do certain things, it is possible that I may end by really becoming incapable of doing it. On the contrary, if I shall have the belief that I can do it, I shall surely acquire the capacity to do it, even if I may not have it at the beginning."

— Mahatma Gandhi

Vision

Our vision for Nova Scotia is to become more and more economically self-reliant while maintaining and enhancing the province's natural environment.

ditional political and economic strains have developed among the various provinces as they — and we — struggle to redefine our respective roles and responsibilities in the Canada of today, and try to lay a foundation for the Canada of tomorrow.

Those changes and others are already making Nova Scotia weaker and more dependent economically. If we are to halt that slide, we must change — and quickly —the way we finance our standard of living. We are at a crossroads. The world is changing. We must change too, or face the consequences. The only certainty is that the status quo is no longer an option.

That is not to suggest our situation is hopeless. We do have advantages. We boast a quality of life and relatively clean environment that are prized assets to others. At the same time, thanks to our own increasingly sophisticated telecommunications capabilities and other technological developments, a Nova Scotia business that sells to markets elsewhere is no longer necessarily at a competitive disadvantage.

If we protect and enhance our traditional advantages while taking advantage of the new opportunities now being presented, we can:

- establish new markets outside the province for our goods and services;
- overcome the perceived handicaps of small scale and distance from markets that have plagued our efforts to build internationally competitive businesses in the past.

If we succeed, we will be in a position to reap the benefits — a higher standard of living, improved public services and greater educational and job opportunities for ourselves and our children. If we fail, however, we face a continuing decline in our standard of living, an inability to maintain the standards of social services we have come to expect, the migration of many of our brightest young people and, very likely, the end of our shared belief that Nova Scotia is an ideal place to live, work and raise children.

Why has Nova Scotia been such an ideal place? Much of it, of course, has to do with our natural environment. Thanks as much to accident as design, it remains relatively unspoiled.

- **Our vision for Nova Scotia is to become more and more economically self-reliant while maintaining and enhancing the province's natural environment.**

This consultation paper is about how to make that vision reality.

We must seize the opportunity offered by positive changing global forces before we are overwhelmed by the unfavorable changes that are also swirling around us. The challenge — and the opportunity — is there for us to take up.

This "Economic Strategy Consultation Paper" is part of an ongoing process designed to help Nova Scotians recognize and accept the inevitability of the changes taking place, and also (and more importantly) to ensure that all of us, including our children and their children, develop the capacity to benefit from those changes.

GOAL

"Our goal as Nova Scotians is to build an economy that is based on competitive success so we will be able to sell more goods and services in the global marketplace."

In the previous section, we outlined a "vision" for the future that we believe Nova Scotians share. In order to make that vision reality in economic terms, we must now come up with a more specific — and measurable — goal around which we can build a strategy.

Before we define the goal itself, it may be useful to outline the "core values" that underlie it.

This economic strategy must be:

√ **Private sector driven:** Nova Scotia can only be successful economically if the private sector — business, labor and others outside government — takes the lead in expanding the economy.

In the past, Nova Scotians have relied too heavily on all levels of government to show direction, provide initiative and offer support for our economic well being.

Relying on government to provide prosperity simply has not — and will not — work. A larger and more dynamic private sector must emerge to play that role. Government should help create an environment for competitive success, but only the private sector can make the decisions that will actually produce that success.

√ **Outward looking:** The private sector can improve Nova Scotia's economic well-being only by generating *new* income. It can do this by selling goods and services to customers beyond our provincial borders, or by selling to customers in Nova Scotia goods and services that otherwise would have to be imported.

There are many ways in which this can be done. The tourism industry, for example, can attract people from outside the province to come to Nova Scotia and spend their money here, thus creating new income.

Many businesses, while not selling directly to outside markets, can also play a vital role in generating new income by supplying and supporting those businesses that do sell to customers outside the province. They too must become more competitive.

√ **Value added** Wherever possible — apples into pies, fish into frozen dinners, etc. — we must work to add more value to everything we produce.

Many Nova Scotia products traditionally have been sold in a raw or semi-processed state. The income of the province must be

increased by adding as much value as possible to them here *before* they are sold. To spread the economic benefits of adding value, we must also encourage the development of competitive local suppliers to produce the "inputs" — the vegetables for the frozen fish dinner, the packaging for the apple pie — that go into the finished product.

√ **Technologically advanced:** Nova Scotia business must develop, or take advantage of, the best available technology if it is to be successful in the international marketplace.

Today, our industries face continuing challenges from competitors offering new, improved and lower-cost products and services. Much of this competition is a direct result of the relentless application of advanced commercial technology by our international competitors.

We must be innovative too or we will be left behind.

√ **Performance oriented:** Our competitive success will depend on our commitment to competitive performance — and consistent improvement — in everything we do, produce and sell.

Nova Scotia businesses must be competitive with their competitors, no matter where those competitors are located. That means all businesses must commit themselves to upgrading the skills of their workers, involving them in operational decisions and adopting the most appropriate and best available technology.

This commitment to performance improvement applies not only to business but also to government, labor, the education system and other public sector activities.

√ **Environmentally sustainable:** Our future economic prosperity depends on our ability to maintain a high level of environmental quality.

We have the good fortune to live in an environmentally rich and relatively unspoiled setting — a competitive advantage in a world where there is now a heightened awareness of the economic importance of environmental issues.

Nova Scotia's natural resources already generate a good deal of our economic activity, not only in the resource industries but also in tourism and recreation as well. At the same time, our unspoiled rural and coastal environments create a positive image of the province for the investors and entrepreneurs we want to locate businesses here.

Because of that, our new economic strategy must be consistent with the principles of **sustainable economic development.**

"Sustainable development," according to *Our Common Future*, the final report of the 1987 World Commission on Development and the Environment, "is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

We accept that sustainable development must be fundamen-

tal to our new economic strategy.

Nova Scotia has begun the process of preparing a sustainable development strategy under the auspices of the Nova Scotia Roundtable on Environment and Economy. We believe completing this sustainable development strategy and integrating it with the economic development strategy should be given high priority.

√ **Regionally sensitive:** Nova Scotians in all regions of the province — and in both smaller and larger communities — should be able to achieve new economic success through implementation of this strategy

The economically vibrant, smaller community is a treasured feature of Nova Scotia, and this strategy must seek to enhance it.

Based on those core values, Voluntary Planning has evolved an overall goal we believe must guide our economic strategy.

Our goal as Nova Scotians is to build an economy that is based on *competitive success* so we will be able to sell more goods and services in the global marketplace.

What does that mean?

- **"To build an economy..."**

  Nova Scotians must increase the amount and diversity of the province's economic activity.

  What that means is that we must achieve a higher per capita gross domestic product (GDP). Our gross domestic product represents our ability to create income for ourselves. At the moment, our gross domestic product per employed person is only 82 per cent of the Canadian average.

  The amount of income we create determines not only our consuming habits — what we can afford to buy, the kinds of cars we drive, what styles of clothes we wear — but also the amount of money available to spend on health care and social services as well as the arts and culture.

- **"... based on competitive success..."**

  We must develop in Nova Scotia a competitive culture, a shared sense that we are all competing with each other and with those in other parts of the world to be the best at whatever we do.

  This culture must infuse every aspect of what we as Nova Scotians do to contribute to the well-being of the province, and applies not only to businesspeople but also to teachers, scientists, students, professionals, politicians, government officials and workers in all walks of life.

  We believe real economic success is only possible if companies and private individuals take the initiative to create income and provide jobs by offering their customers better, more consistent quality products and services, and by increasing productivity.

Core Values

√ Private sector driven
√ Outward looking
√ Value added
√ Technologically advanced
√ Performance oriented
√ Environmentally sustainable
√ Regionally sensitive

"The new Nova Scotia Economic Strategy must focus on developing and strengthening our role as traders of goods and services."

This consultation paper does recognize that government must play a vital role in creating a climate for success. But none of the proposals we make should be regarded as a reason to increase government expenditures. (Any proposals we make that require additional government funds must be offset by cuts in other areas of government spending.)

In order for this strategy to be effective in encouraging real economic growth, in fact, the Nova Scotia Government must reduce its own unacceptably high deficit.

- **"... so we will be able to sell more goods and services..."**

  Nova Scotia firms must focus on creating a strong competitive position based on unique advantages.

  In the past, Nova Scotia has based its economic development and its standard of living on *what we have rather than what we've done*. We tapped the province's natural resources and its geographic good fortune as a gateway to the rest of Canada.

  But relying on low value-added commodity exports has made much of our commercial activity also-ran in a world economy that is competing on the basis of distinct customer advantages.

  The challenge now facing us will be to *create* new competitive advantages based on using the "levers of competitive success" that will be detailed in the next section of this consultation paper.

- **"... in the global marketplace."**

  Our ability to generate income is largely dependent on our ability to sell our goods and services to customers outside Nova Scotia.

  Tradeable goods and services — those that can be exported or which compete against imports to Nova Scotia — bring in revenues from outside that enable us to import those things we need and want, but can't or don't produce ourselves. The revenues they bring in (or the revenues we keep at home that might otherwise have been used to pay for those imports) also provide the economic base for all sorts of locally important non-tradeable businesses, such as retailing and personal service industries.

  But the simple economic reality is that employment in our non-traded industries can only grow in response to increases in activity in the tradeable sector.

  That is why the new Nova Scotia Economic Strategy must focus on developing and strengthening our role as traders of goods and services.

With the goal and the core values that underpin it now clearly defined, it is time to consider how we can achieve the competitive success we seek.

LEVERS FOR COMPETITIVE SUCCESS

There is no one simple recipe for cooking up competitive success, but there are a wide variety of "levers" we believe can be applied to our economy in order to enhance our competitive position.

At one time — when competitors were few and competition itself was localized — a company in Nova Scotia (or anywhere else for that matter) that had a dependable source of easily accessible, relatively inexpensive raw materials, or a willing pool of workers might be able to remain profitable even if the quality of its products was not world class or its productivity was low.

Today, even the richest natural resources, such as our forests or our fishery, cannot by themselves guarantee economic success. And we cannot hope to be successful simply by paying low wages either.

Today, we face a new world of global competition in which people, businesses and countries have a wide range of choices of what they buy, how much they pay and what level of quality they expect.

That means that if we are to sustain the high standard of living Nova Scotians have become accustomed to, we must find new ways to compete in this complex and ever-changing global economy.

It will not be easy. We must recognize the reality that Nova Scotia has a small economy, and is under considerable pressure from economies that do take advantage of low wages, or economies of scale, or special technologies, or quality of product to give them their competitive edge.

But our task is far from impossible. We have identified a number of levers Nova Scotians can "pull" to help them compete more successfully.

- √ People
- √ Quality
- √ Productivity
- √ Technology
- √ Community Economic Development
- √ Transportation
- √ Creating/ Developing Business
- √ Trade
- √ Government Role

Competitive Levers

- √ People
- √ Quality
- √ Productivity
- √ Technology
- √ Community Economic Development
- √ Transportation
- √ Creating/ Developing Business
- √ Trade
- √ Government Role

That's not to suggest that there probably aren't other potential levers, or that some of the levers we've listed separately might not usefully be combined into one. Many of the levers, in fact, are inter-related. It is impossible to talk about using the lever of "Technology," for example, or "Community Economic Development" without considering the role of the "People" lever of education and training in making them work,.

The important point is simply that we as Nova Scotians must recognize that there are such levers and we can use them to achieve this goal.

For the purposes of this consultation paper, we will consider each lever in more detail — describing the current situation, outlining some general principles and setting forth some specific options for action. The specific options we will outline in the following pages, however, should not be seen as either exclusive or necessarily right — they are simply suggestions for consideration.

Many options will require action by government, but this is not inconsistent with our view that the strategy must be private-sector driven. Most of the specific actions we suggest for government are simply designed to improve the economic climate so that the private sector, including business and labor and community groups, can create jobs and generate new income.

People

Skilled and motivated people are the single most important lever for competitive success.

If our province is to be internationally competitive, it must provide its people with access to a seamless web of fully integrated educational and training opportunities that will offer all Nova Scotians the opportunity to achieve their full potential.

When we talk about educational and training opportunities, we include a wide range of activities — basic literacy and numeracy training, math and science education at the secondary school level, entry level employment training, general job skills enhancement, industry specific education, technology skills upgrading, management and entrepreneurial training and university-level research.

An educational system that responds to the real needs of the economy must be flexible and open to change. It must, in effect, help people to learn to cope with the inevitability of change.

We believe those involved in providing education and training — universities, community colleges, school boards, departments of education and continuing education, teachers, teachers' unions, professors, the private sector — not only must work together to make the existing educational system efficient and effective but also must ensure that it takes advantage of the most creative and innovative practices available to better serve its students and, ultimately, the province's economy.

The most basic skills everyone needs, of course, are literacy and numeracy — that is, people need to be able to handle basic reading, writing, mathematical and communication requirements for daily living as well as to master the fundamental skills needed to be effective in the workplace.

Our record of providing basic skills is not good. According to one recent survey, 15 per cent of Nova Scotians are either illiterate or have serious difficulties with common reading materials.[1] The same survey indicated the mathematical skills of 44 per cent of Nova Scotians are so low that they would not be able "to perform simple sequences of numerical operations which enable them to meet most everyday needs."[2]

Even many Nova Scotians with basic literacy and numeracy skills are inadequately educated in science and mathematics. These are two subjects in which students must have strong backgrounds to secure the high-skilled, high-paying jobs the new information and technological society offers.

One recent study indicated Nova Scotia high school science students generally score among the bottom 25 per cent in Canada in standardized science achievement tests.[3] Those statistics can change. After a concerted five-year effort to upgrade junior high school science skills, grade nine students in Nova Scotia recently scored among the *highest in Canada* in science achievement test results.[4] We must make a similar effort in the high schools.

In addition to improving student skills in the fundamentals, our edu-

Principles

- √ Nova Scotians must recognize the need to be lifelong learners, and Government and the private sector must create opportunities for them to get recurrent education.
- √ Those who deliver education and training must recognize that they play an essential part in creating competitive advantage, and they must take up the challenge of becoming a major force for change and improvement.
- √ Improvements in basic workplace training must be immediate priorities, and employers must be committed to ensuring regular and continuing upgrading of employee skills.
- √ The education system and the private sector must make basic literacy training a priority.
- √ The private sector must be actively involved in all aspects of education and training.

cation system must provide students with an opportunity to get the basic skills training they need for employment and career development. To date, we have not done as well as we should. More than 75 per cent of Nova Scotia companies responding to a survey for this consultation paper reported they had experienced difficulties finding employees with the skills they require.

A well-developed and well-utilized community college system could serve as the focal point for training people for entry into the business world. The creation of a Nova Scotia Community College has been in process since 1988. At that time, a Government White Paper, *Foundation for the Future* recommended that the existing patchwork system of vocational schools and technical institutes be amalgamated to improve the calibre of the training available to students and to better coordinate its delivery. But this report has not been fully implemented. We believe the Government should allocate the necessary resources to complete the job.

Employers have been just as slow to respond to the need for ongoing training for their workers. One recent national survey indicated that 41 per cent of workers received no training at all in the past two years.[5]

Most of the training that takes place is haphazard, often informal. Although this is slowly changing, there are still far too few collaborative efforts between business and the educational system to develop and deliver appropriate worker training programs that offer skills training for specific industries as well as general workplace skills.

Management training, vital to competitive success and currently offered at a variety of post-secondary institutions, also needs to be better coordinated to ensure it is appropriate to the needs of business. Entrepreneurial training — a key lever for improving our economic prospects — should not be overlooked in such programs.

At the same time, it will be important for those providing education and training and those in the private sector to recognize that simply providing skills training for today's economy is not enough. A successful education and training system must also project and prepare to meet future needs, as well as the needs of new industries in fields such as environmental services.

Options

- The Nova Scotia Government should immediately complete implementation of the Community College program.
- Private business and/or the Government should be encouraged to utilize and enhance skills programs to enable groups of businesses to obtain training for employees in technologies specific to those businesses.
- Private industry associations should encourage their members

to form partnerships with the education system through such vehicles as cooperative education programs, support for career counselors and teacher upgrading.

- The province's post-secondary institutions should work with business to improve the quality, appropriateness and utilization of management training programs available in the province.
- The Department of Education should place greater emphasis on ensuring that all students master basic literacy, numeracy and communications skills in the school system, and the private sector must work to improve the availability of literacy training in the work place and the community.
- The Nova Scotia Government should re-allocate resources in order to launch a concerted effort to improve high school science and math programs.
- Mechanisms should be established to foster and encourage innovation and change within the education and training system in the province.

Principles:

√ All Nova Scotia businesses and organizations must make totally consistent quality of their products and services a primary goal, and all Nova Scotians must work to achieve quality in their respective tasks.

√ The private sector must take account of environmental quality in its production techniques and use of materials.

√ Government must demonstrate a commitment to the principle of quality in its services.

√ The education and training system must devote more attention to the issue of quality.

Quality

Quality, as author Peter Drucker writes in his book *Innovation and Entrepreneurship*, is what each customer "sees as value" and nothing else. What that means is that producers of goods and services must strive to provide quality to *every* customer *every* time. And that means that providing customers with quality goods and services must involve a never-ending effort.

Many businesses create a competitive advantage by doing just that — providing their customers with totally consistent quality. The Japanese auto industry, for example, made huge inroads into the North American car market once it had established a reputation for offering consistent quality and reliability.

When we talk about quality in this context, we are not necessarily talking about "high" quality so much as we are talking about consistent and appropriate quality. The fast food hamburger is a perfect example of what we mean. No one would confuse one with a gourmet meal, but customers still flock to fast food restaurants all over the world because they know they can depend on getting consistent, reliable hamburgers at such establishments. They know that the quality of the product they buy (as well as its price) will be appropriate to the fast food market.

The success of the fast food hamburger chains is no accident. It is based on rigorous attention to delivering a consistent and reliable product. All Nova Scotia businesses could benefit from a similar dedication to quality.

One recent study of 30 small Nova Scotia manufacturing firms found that those firms produced lower quality products than their competitors, and then tried to sell them at higher prices. [6]

Given the reality that Nova Scotia firms must be competitive in international markets in order to survive and prosper, the author of that study, Scottish economist Patrick O'Farrell, concluded that "the only realistic policy" available to Nova Scotia small manufacturers is to make quality their hallmark so they can compete on the basis of design and value rather than price.

We believe O'Farrell's prescription for our small manufacturing sector could just as easily and usefully be applied to other sectors of our economy, including the service sector. Nova Scotia tourist operators, for example, must make quality of customer service their number one priority too.

Some Nova Scotia firms have demonstrated that world-class quality can be achieved in Nova Scotia in fields as diverse as aircraft parts production and consulting engineering, but others must follow their lead.

Better quality is not something that can be achieved overnight.

To help Nova Scotia businesses improve their overall performance levels — including quality, productivity and international competitiveness — we are proposing that the provincial government, in collaboration with the private sector, establish what we will call a "Performance Enhancement Program."

We see this program as a way to coordinate the collection and dissemination of the best available information about quality and productivity techniques for business — from how best to diagnose quality and/or productivity weaknesses to how best to overcome them.

We aren't suggesting that introducing such a program should result in a large bureaucracy, or that government should provide this service to business for nothing. This program — like government, business and the province as a whole — must be competitive too!

Becoming more competitive must begin with a personal and corporate commitment to seeing that quality infuses every input and process — including environmental inputs and processes — in creating a product or service. Quality standards and quality control must become a daily preoccupation for everyone involved in a business.

Quality isn't only an issue for business. Quality is just as important in government services and education as in business. Quality must be a part of everyone's job — not a separate organizational function.

Quality is even our responsibility as consumers. We must not accept poor service in restaurants or shoddy workmanship from suppliers simply because they are "local." If we begin to demand quality in all things, Nova Scotia producers of goods and services will naturally begin to deliver it to their other customers as well. And we will all benefit.

Options:

- The private sector should adopt quality management practices designed to provide a totally consistent level of satisfaction to its customers.
- The private sector and the Nova Scotia Government should establish a provincial "Performance Enhancement Program" to not only improve general understanding of performance-related issues among Nova Scotians, but also to coordinate the dissemination of practical information on how business and individuals can improve their quality, productivity and international competitive performance.
- The Nova Scotia Government should select two provincial departments to serve as pilot projects for a quality enhancement program.
- The Department of Education should increase awareness of quality in the delivery of education by publishing the results of standardized achievement tests, including by school, over time and in comparison with other provinces when possible.

Productivity

Principles:

√ All Nova Scotians must make constant improvements in productivity a way of life.

√ Nova Scotia companies must adopt the best, environmentally sensitive and cost-effective product and process technologies.

√ Nova Scotia firms must encourage everyone in the business to be involved in production decisions.

Global competition, as Xerox's David Kearns noted, is a race with no finish line. If Nova Scotians are to succeed in global competition, we must dedicate ourselves to continuously improving productivity in relation to our competition. The "in relation to" is important. Even if we improve our productivity by three per cent per year, we will still fall behind our competition if their productivity increases by five per cent per year.

The O'Farrell report, noted earlier, argued that low productivity "is probably the most crucial shortfall in the relative performance of the (Nova Scotia) firms (against their American competitors)." To make matters worse, U.S. manufacturing productivity is "well below" other industrial nations.

It is worth noting that O'Farrell lays much of the blame for productivity problems in the companies he studied at the feet of company managements. "Productivity levels in multinational branch plants in Nova Scotia are broadly comparable with those achieved by branches in other countries using similar skills and machinery," O'Farrell noted in the report, suggesting that, "given appropriate management skills, supervision and training, workers in Nova Scotia can achieve international standards of productivity."

The Performance Enhancement Program, proposed in the previous section, would assist business in knowing about, and taking advantage of, such productivity improvement opportunities.

Technological change is inevitable, and is happening far more quickly than many expected. But the percentage of firms in Nova Scotia adopting such technologies is below the national average, even though the productivity gains from computerized automation can be substantial.[7]

New machine technologies alone do not make a company productive or competitive, of course. Unless they're combined with new management approaches and "people technologies," machine-based technologies will also fall short of their productivity and quality potential. We must develop work systems that encourage employee participation in decisions. Such participation necessitates a strong commitment to worker training to allow flexibility in how workers tackle their jobs and contribute to competitiveness.

We have focused primarily in this section on the role of business, but it is important to say that Government must get its own productivity house in order as well. It goes without saying that if Government is to reduce and eliminate its deficits and cut the tax burden it imposes on businesses and individuals, it must also operate more productively and efficiently. We will focus on this issue in more detail in the section on the role of government.

Options:

- Private sector associations should promote the adoption of produc-

tivity management practices and good industrial relations in order to produce an ever increasing level of competitive performance.

- The Performance Enhancement Program, referred to in the previous section, must have achieving improvements in productivity as one of its main goals.

Factors that contribute to productivity weaknesses

- management's failure to accord productivity issues a high enough priority;
- management's failure to develop appropriate specialization in the division of labor;
- a work week that is shorter than those of our competitors;
- a lack of productivity-related pay schemes;
- poor plant layout;
- poor machine utilization;
- weak management and supervision.

— "O'Farrell Report"

Technology

Principles:

√ Nova Scotia should utilize the rich resources of existing industrial strength and current R&D accomplishments.

√ Nova Scotia should develop research and development capabilities to meet the technological needs of Nova Scotia-owned firms.

√ Nova Scotia should make meeting the development and application needs of industry its first research priority.

Technology has become an increasingly critical lever that all companies can use to achieve competitive success. All you need to do is to look around you to recognize that technology and its application play a vital role in creating and developing new value-added products, increasing quality and lowering cost. If Nova Scotia companies are to succeed in the global marketplace, they cannot simply hope that they will somehow gain access to world leading technologies by osmosis. The province must have its own commercially-oriented science and technology infrastructure to develop, adopt, improve and customize the technology we need.

Nova Scotian businesses do not have a good record when it comes to using technology to achieve commercial success.

Some Nova Scotia companies are aware of what is leading-edge technology and have continuously invested in upgrading their technological capabilities, but many companies have not remained current enough in their fields to ensure themselves a competitive advantage.

Nova Scotia ranks low among Canadian provinces in the extent to which firms use advanced manufacturing technologies such as programmable controllers, and many Nova Scotia businesses aren't sufficiently aware of exactly what constitutes "state-of-the-art" technology in their fields.

The problem is most serious among Nova Scotia-owned firms. Plants in the province that are part of larger international firms tend to be more up-to-date technologically because they have access to the international networks of their parent companies. Nova Scotia-based firms do not have such an advantage and have difficulty in finding out what technology their international competitors are using. (One way of overcoming these difficulties, of course, is the proposed Performance Enhancement Program referred to earlier.)

In addition to suffering from a lack of global connections, Nova Scotia companies also suffer technologically because there are few clusters of indigenous firms in any industry in Nova Scotia, so there is little potential for natural networking among related local businesses. As a result, the public sector has been largely responsible for spreading the use of technology among companies and for providing support for technology. The Industrial Research Assistance Program (IRAP) of the National Research Council is an example of a valuable component of this technology diffusion network. But the poor ranking of Nova Scotia firms in adopting technology indicates that much still needs to be done to link all elements of the network to form an easily accessible, coordinated support system for industry.

There is an irony in all of this. The technology paradox for Nova Scotia is that the province *has* a disproportionately large share of Canada's basic and applied research activity but it also has a relatively low level of commercial applications of science and technology. A number of laboratories with federal or national mandates are located in Nova Scotia and attract internationally recognized scientific staff but too often

what they do is not matched to the needs of industry, or spinning off benefits to the private sector. This must change.

Nova Scotians display considerable pride in the number of institutions of higher learning accessible to the population. For technological advancement and innovation, however, research teams in academia require the practical skills of engineers to take ideas for new products and processes into the advanced development stage. Engineers, to maximize their potential usefulness to industry, must be employing the latest technologies emerging from the basic and applied research of the sciences. But the structure of higher education in Nova Scotia today is inhibiting the establishment of strong linkages between academic science disciplines and engineering. This too must change.

Options:

- A Technology Outreach Service — a service group independent of government — should be established to better link companies requiring technological assistance with the relevant technological resources. This group should act as a broker between firms and available resources, such as the IRAP network. This group should also be responsible for developing a long term technological infrastructure and should contribute to government policy related to technology in the province.
- The private sector and the Nova Scotia Government should work together to recruit private sector product development activities to locate in Nova Scotia as a way of enhancing the existing industrial base and encouraging greater industrial research and development activity and private sector technology diffusion. This would complement the efforts aimed at increasing the level of scientific and technical skills among local firms.
- External consultants should review the mandates, policies and practices of the major public and quasi-public research and development establishments in the province to identify impediments to greater interaction with industry. Whenever possible, these institutions should develop policies that encourage industrial growth in appropriate areas of strength.
- The Technical University of Nova Scotia should develop more formal links with Dalhousie University and, where appropriate, with other universities in the province in order to facilitate linkages between academic sciences disciplines and engineering.
- The private sector and government should establish a "Technology Challenge Grant Fund" to provide manufacturing challenge grants to business and government/university projects to encourage the commercializing of research in Nova Scotia.

Principles

√ Nova Scotia should support a full consideration of the concept of Maritime economic co-operation.

√ Nova Scotia businesses must place much more emphasis on entering out-of-province markets.

√ Nova Scotia businesses must undertake the research and make the investments necessary to access outside markets.

√ Nova Scotia businesses must concentrate their efforts on producing higher value-added goods and services and exploiting niche markets, such as those for craft-based products.

√ Nova Scotia businesses must excel in quality design of their goods and services.

Trade

Products and services, no matter how good or consistent their quality, do not sell themselves. That means that market development can be another critical lever for competitive success.

In the past, many federal and provincial government policies — including procurement regulations, import restrictions, marketing boards, etc. — have served to protect local industry from competition. For a variety of reasons, ranging from the Canada-U.S. Free Trade Agreement to generally increasing international competitiveness, these protections are rapidly being eliminated. In order to survive, Nova Scotia firms must expand their marketing horizons.

The Council of Maritime Premiers recently agreed to consider the idea that the three Maritime provinces operate more as a single market while continuing to function independently as political units. We believe that such alliances, which have often succeeded in other jurisdictions, provide a larger, more competitive local market for goods and services as well as providing the strength that will allow business to seek broader markets.

In addition, of course, having a collective Maritime economic voice would mean that regional concerns will be heard more clearly by the federal government than is now possible with the three provinces acting independently.

Cooperation among Maritime provinces — and, in some cases, Newfoundland — already exists in a number of areas. Through the Council of Maritime Premiers, for example, there are several cooperative ventures, including the Land Registration and Information Service, the Maritime Provinces Higher Education Commission and, since 1990, a Maritime Procurement Agreement, which eliminates provincial trade barriers for government acquisition of goods, services and construction above certain threshold levels.

Within the private sector — but sometimes with the support of government — there are other cooperative groups including Atlantic Canada Plus, Atlantic Provinces Transportation Commission, Atlantic Provinces Economic Council, Atlantic Region Management Training Centre and Maritime Lumber Bureau.

Some potential areas for increased cooperation include the portability of qualifications of skilled trades and professionals, sharing of electric power, joint trade promotion efforts and joint regulation of truck and bus transport.

A forum for cabinet ministers from the three provinces is being planned for 1991 to consider the elements of greater co-operation. In addition to efforts by government, industry association and labor groups should encourage their members to develop and participate in cooperative initiatives involving the three provinces.

We realize that encouraging a single Maritime market will create transitional problems in some industries, and we believe government must cooperate with the private sector to develop measures to deal with

them.

But as Nova Scotia companies venture further abroad they often find the cost of marketing increases substantially and the competition becomes ever more intense.

The costs of investing in market development can be substantial. One Nova Scotia firm, which was the first in the world to move into the production of long-life milkshakes, found that when it wanted to take the product beyond Nova Scotia it was very costly. The company has made major inroads with the product into other provinces based on a proprietary formula and state-of-the-art packaging machinery that suited this product. But the firm stopped short of entering the New England market because of the high cost of securing the approval of U.S. food regulators.

Ways must be found for Nova Scotia firms to tackle the significant investments sometimes necessary to access out of province markets.

When considering trade potential, it's also worth noting that, because of the growing environmental awareness of consumers around the world, there are now significant new opportunities for entrepreneurs and businesses to create products that are more environmentally benign or that use less — or more recyclable — packaging. There are similar opportunities for products and services, such as in the waste management field, that enhance or improve the environment. Nova Scotia business should attempt to take advantage of these trading opportunities.

Options

- The private sector should push for the abandonment of inter-provincial trade barriers as well as for appropriate transitional measures to ease problems resulting from their elimination.
- Governments should modify provincial trade assistance to:
    - centralize information about federal and provincial trade programs in one office
    - focus on encouraging the trade readiness of business
    - focus attention on tradeable services as well as on tradeable goods
    - support training programs in the trade field
- The private sector should encourage greater emphasis on product development, including value-added products, niche products and environmental products and services in order to develop trade.

The process of effective marketing involves:

- identifying and assessing potential markets;
- adapting products or packaging to suit the target market;
- arranging for shipping and associated documentation;
- possible strategic alliances, like joint ventures and licensing mechanisms with other companies.

Trade strategies currently being used successfully by Nova Scotia firms:

- **Niche marketing:** Carefully choosing market segments that are small enough so major multinational firms are not interested in competing.
- **Value-added products:** Finding ways to add to a product or service, increasing its value to a customer.
- **Marketing consortia:** Getting together to market a type of product cooperatively.
- **Design intensive products:** Using specialized, high quality design as a major selling point for a product or service.

Transportation

Principles

√ Effective trade requires efficient transportation systems.

√ Investment is needed in the transportation system.

Cost-effective and convenient transportation links are critical to the Nova Scotia economy, and development of globally competitive businesses.

The simple reality is that the competitive position of many Nova Scotia firms can be seriously eroded by increases in transportation costs or a short-term disruption in services. Moreover, many people quite rightly describe our existing transportation infrastructures as "fragile" because of ongoing uncertainties about the future of transportation links.

Consider, for example, the current federal proposals regarding cost recovery of air services. The implementation of these proposed additional user fees will affect costs at the Halifax International Airport more severely than at any other major airport in the country, and they will have a dramatic and adverse impact on the competitive position of the many Nova Scotia exporters who ship by air.

That is just one of a wide range of transportation issues that deserve attention. The province's Department of Transportation and Communications is addressing many of these in its "Travel 2000" strategy, which is expected to be completed this year. In this consultation paper, we will note only a few economically significant transportation issues:

1) The trans-shipment role of the Port of Halifax.

2) The lack of a four-lane highway link to the United States and the rest of Canada.

3) The poor air links with the United States.

4) The need for a rail-based inter-modal terminal in Halifax.

The Port of Halifax plays a key role in the Nova Scotian economy. Its role as a drop-off and pick up point for imports and exports not only contributes significantly to the provincial economy in and of itself but it also provides Nova Scotia exporters with marketing options that would not exist otherwise.

But the Port of Halifax, dependent as it is on its rail links to Quebec and Ontario, is facing increasing competition from eastern U.S. ports, which are trying to serve the central North American market, in part by investing heavily in double-stacking services — stacking containers on top of each other for rail shipment.

Since about 70 per cent of Halifax container traffic is destined for Ontario and Quebec markets[8] and since double-stacking would significantly reduce rail-ton mile costs (about 75 per cent of the total cost of dropping a central Canada-bound container in Halifax is rail costs), our ability to competitively serve these markets necessitates the creation of our own double-stacking service to central Canada.

If the Port lost its competitive position — and double-stacking is being increasingly seen by shippers as a measure of competitiveness — many shipping lines would not come to the Port solely to handle Maritime exports or imports. That would make it much more difficult for Nova Scotia businesses to compete internationally.

The development of an intermodal terminal — utilizing rail lines to

cost-effectively move truckloads of goods in to and out of the province —in Halifax would also strengthen the position of Nova Scotia. Such a facility would also help eliminate much of the truck traffic from the provincial highway system between Halifax and the New Brunswick border.

The lack of a four-lane highway connection to the U. S. and Quebec is another major transportation problem affecting our competitive position. Such a connection is essential to Nova Scotia producers, especially in light of the Canada-U.S. Free Trade Agreement. Nova Scotia products will not be able to get to U. S. markets if appropriate road links are not there.

The Nova Scotia and New Brunswick Governments are already committed to providing these highway connections. But the federal government must agree to make a major funding commitment if these projects are to be completed in a timely manner.

Our air links with the U. S. and Europe are also very unsatisfactory. Good air links are not only essential if Nova Scotia is to have a healthy and vibrant tourism industry but they can also be a very important tool in recruiting new businesses to the province.

Here again, the federal government has a crucial role to play in working for change in the Air Services Agreement so that more air carriers can gain access to air routes between Nova Scotia and the U.S.

Options

- The private sector and the Nova Scotia Government should support conversion of the rail link to central Canada to an efficient high speed double-stacking capability.
- The private sector and the Nova Scotia Government should work to establish Halifax International Airport as the air transportation "hub" of Atlantic Canada for passengers and cargo, as well as the international air gateway to Canada.
- The private sector and the Government of Nova Scotia should work to have a U.S. carrier provide regular jet service to Halifax.
- The private sector and the Nova Scotia Government should seek a federal commitment of cost-sharing to support a Maritime highway upgrading program that would include twinning the TransCanada highway to Quebec and a link to the U.S. Interstate in Maine.
- The private sector and the Nova Scotia Government should press the federal government to make sure federal policy changes, such as Transport Canada's cost recovery proposals, do not erode the competitive position of businesses in the province.
- The province should press for the start-up of a new intermodal terminal in Halifax.

Creating and Developing Business

Principles

√ Nova Scotia should ensure that a positive provincial climate for entrepreneurship is maintained and responsible risk-taking is encouraged.

√ Nova Scotia should create incentives for the formation of adequate pools of well-managed equity capital.

√ Nova Scotia should base investment recruitment on the strengths that Nova Scotia has to offer.

√ A "friends and alumni" capability should be used to identify prospects and cultivate interest in locating here.

√ Nova Scotia should use strategic procurement to develop competitive new businesses.

So far in this consultation paper, we have focused primarily on existing businesses. But the creation and development of competitive new businesses also contributes to the size and diversity of our economy, so it follows naturally that building and nurturing Nova Scotia's entrepreneurial culture must be a priority lever in any economic strategy. So must recruiting existing businesses from other places that can prosper in Nova Scotia themselves as well as foster the development and growth of other businesses.

But Nova Scotia has few appropriate businesses which can serve as incubators, a tiny venture capital pool, a low rate of immigration, a business culture that is often seen as risk-averse to start-ups and a tax structure that is not considered helpful to business start-ups.

Sixty-three percent of those surveyed in a Start-Up Business Survey conducted for this consultation reported that their growth was seriously constrained by a lack of equity capital.

Entrepreneurs in the survey generally found that government assistance was not that helpful in overcoming these financial difficulties because most of the funding available was for fixed asset financing or for amounts that were far higher than they needed.

At the same time, most of the entrepreneurs surveyed had been unable to tap into venture capital funds. The existence of experienced venture capital pools has traditionally been associated with high rates of entrepreneurship and technological innovation, but only one percent of Canada's available pool of professionally managed venture capital was invested in the Atlantic provinces in 1987.[9]

We believe the private sector must make solving the venture capital problem a priority. This will not by itself create a healthy entrepreneurial climate, but if the venture capital problem is not addressed, no amount of other assistance will solve the financing conundrum.

One way of nurturing businesses once they are established is by developing linkages among companies producing similar or synergistic products. In most successful economies, these linkages — or clusters — not only serve as a stimulus to increase the export value of goods and services but also encourage businesses to become more competitive and develop new products. Currently, there is little such clustering in Nova Scotia, except in the fishing industry. Improving the linkages among companies offers a significant economic development opportunity for Nova Scotia.

Many governments around the world are now also using "strategic procurement" in their own purchasing requirements as a way of nurturing existing businesses by building local capability to export. By buying newly developed local products or services — provided they meet their competition on quality and price — governments can assist indigenous companies and industries develop those products or services so they can then market them outside the province as well.

Traditionally, "strategic procurement" has meant providing a price

preference to local suppliers or agreeing in advance to invite bids only from local suppliers. While that may appear to contradict our earlier position that we must press for elimination of inter-provincial trade barriers, strategic procurement does not have to rule out buying at the lowest cost from a local supplier. For this to work, strategic procurement opportunities must be identified well in advance of actual tendering so Nova Scotia companies can prepare themselves to meet product specifications by utilizing program funding for such things as developing new technologies and prototype test to make their products competitive. Nurturing Nova scotia companies in this way would not violate the spirit of our position that inter-provincial trade barriers should be eliminated.

By the same token, large companies can use similar "supplier development programs" to help themselves by developing dependable local suppliers of goods and services as well as helping the economy by encouraging supplier companies to meet international standards and therefore be in a better position to become globally competitive themselves.

Another important way to create competitive new businesses in Nova Scotia would be to develop a strategic and focused program to recruit appropriate outside firms to locate here.

Appropriate outside firms not only generate employment opportunities directly, but they also encourage job creation more broadly by developing local suppliers by imposing on them international quality standards. Those Nova Scotia suppliers can then go on to compete in other markets with a greater likelihood of success because they have met these global standards.

At the same time, local firms providing the same goods or services can gain valuable experience and awareness by competing at home against a company with global experience. They too can then compete in international markets with greater awareness of the latest production techniques, service standards or product refinements.

One model for industrial recruitment is to rely on the networks, contacts and "alumni" that a province or community naturally generates.

People who have lived and worked in Nova Scotia and who are now residing elsewhere, for example, can be key candidates for bringing investments to the province. In addition, the contacts that current residents formed when they lived outside the province — during their education perhaps, or in an earlier phase of their career — can be central to the success of an industrial recruiting exercise. These individuals can use their contacts to open doors with decision-makers and to provide introductions that would otherwise be difficult to achieve.

Another way to attract investors, of course, is to be where they are already. That is the idea behind the offices many provinces, including Nova Scotia, maintain in other provinces or in foreign countries. We believe the Government must be aggressive but flexible in its use of such offices to also take advantage of brief or time-sensitive opportunities to attract investment from places — such as Hong Kong — where political and economic conditions are changing.

While industrial promotion has long been part of government policy

Factors creating a strong entrepreneurial environment:

- **Number and quality of appropriate "business incubators."** Large indigenous firms, universities or research institutions where entrepreneurs can learn a full range of business skills.
- **A sizeable and experienced venture capital pool.** Venture capital, either formal venture funds or informal sources such as family can help meet the need for capital.
- **High immigration rates of skilled people.** Immigrants bring ideas, skills, and a hunger for success, which can help to launch new business.
- **Acceptance in the culture of risk-taking and failure.** Successful entrepreneurs often fail several times before they succeed. An entrepreneurial culture accepts failure as a normal process in business and no stigma should attach to those who genuinely risk their own money.
- **Attractiveness of the tax structure.** Income and especially capital gains taxes can significantly influence the attractiveness of starting a new business.

and while there have been some significant successes, research done for the economic strategy demonstrates that both the targeting and the method of this activity must change.

The key variables that can make or break an investment decision — and the ones in which, according to our research, Nova Scotia is regarded as weak — include availability of appropriate skills, start-up costs and transportation costs (all competitive levers that are addressed elsewhere in this consultation paper).

The Government, through its Industrial Promotions Branch and other provincial and municipal efforts, has allocated substantial time and resources to attracting new businesses to Nova Scotia, but we believe this effort has often not been selective enough. Virtually all the outside investors spoken to in the course of the admittedly limited research conducted for this strategy, for example, based their decision to invest in Nova Scotia on the quality and size of the locational incentive available from government. There is no point in using expensive government locational incentives to attract firms to Nova Scotia if they will then need resources or infrastructure currently unavailable here. Active recruiting must be directed only to those firms that have a reasonable chance of success in the province.

Using the province's positive attributes as the basis for attracting firms will be more beneficial to the province and to the attracted businesses as well. Future efforts must focus on businesses that:

- draw on Nova Scotia's strengths,
- complement existing or potential clusters of businesses,
- use environmentally sound practices, and
- fill gaps in the province's industrial structure.

Options

- The private sector should develop a venture capital mechanism supported by government tax incentives.
- The Nova Scotia Government should establish a recruiting committee of Nova Scotian and ex-Nova Scotian senior executives to assist the Industrial Promotions Branch.
- Large private companies, Governments and Crown corporations should develop programs for strategic procurement of goods and services with export potential from starting and existing small businesses in the province.
- The Government should establish a Pacific Rim immigration and investment office, preferably as part of a joint Maritime Provinces project.

Community Economic Development

Nova Scotia's economic strategy cannot be thought of as applying in only a few areas of the province or to a few sectors of the economy — individuals and communities across the province must adopt, support and implement it. While the economic strategy will provide a blueprint for action, the initiatives for making it work must come from individual communities as well as from business.

We believe Nova Scotians share a desire to live in economically vibrant communities throughout the province.

We recognize at the outset, however, that some smaller communities in Nova Scotia face disadvantages to economic development not faced by larger communities. They may have a less diversified economic base, for example, and be dependent on the market uncertainties of resource-based industries. They may also be geographically remote from larger centres, increasing their transportation and marketing costs.

These problems, in turn, often lead to reduced employment opportunity, less entrepreneurial vigor and the reality that many of the younger and more skilled members of the community must move away to find employment or pursue their entrepreneurial interests.

While not all small communities are disadvantaged — some indeed already possess vibrant, diversified economies — they all share the conviction that they can play an important role in the economy of the province, and that they have a right to do so. We agree. But is it realistic to expect viable economic activity throughout the province? We believe it is.

We believe the potential exists for improvement in overall economic prospects in most Nova Scotia communities. Thanks to the changes in technology mentioned earlier, many businesses that do not require large scale production facilities and are not seriously affected by transportation costs can succeed in smaller communities where there is often a labor surplus and good communication with the rest of the country.

But smaller, remote communities must have the tools within their communities to allow economic development to occur. Given the changes in our economy, local development organizations need to refocus and even restructure their efforts to be consistent with the principles of a new provincial economic strategy.

For example, the lack of information available to local businesses and entrepreneurs has long been a serious obstacle to successful community development. The strategy must include improved ways for local businesspeople to get information and counselling on how to find capital, take advantage of available worker training programs, acquire new technology, identify market opportunities, etc.

Developing the capacity for economic activity to occur within communities is the driving force behind the process known as community economic development (CED) — a bottom-up approach that has emerged in recent years to address the economic problems of declining and smaller communities and of distinguishable communities in larger

Principles

√ The province's economic development programs should be designed
— for delivery at the community level; and
— to build the capacity required for increased economic activity to occur in smaller communities.

√ The activities of CED groups should be supported by provincial incentives where such groups have local initiative and resources behind them, and especially where groups in neighboring communities work together in a regional way.

centres. Many of the principles developed from community economic development work, in fact, could be used to energize the province's economic development process as a whole.

Community economic development groups have been formed by groups of people across the province to address particular opportunities in individual communities. Their activities range from developing and implementing overall strategies for economic development to supporting new business ventures to developing literacy and training programs. In addition to fostering economic development, CED groups often focus on strengthening the social and cultural life of their communities, which in turn creates a better climate for business and community development too.

Community groups, which see development from this comprehensive — but local — perspective can often most effectively carry out economic development programs at the community level. Local groups are better informed about on-the-scene conditions and opportunities and can utilize complementary local resources. For example, under-utilized human resources — people not mobilized for action, people not trained for jobs, people employed at less than their capacity, etc. — are more readily identified at the community level, where appropriate programs can be designed for training, re-training and so on.

Although community economic development groups are taking the lead, economic development at the community level is a three-way partnership involving government at all levels and the private business sector as well. The provincial government provides support to roughly 40 industrial or development commissions. The federal government offers support through Employment and Immigration Canada's programs, especially the Community Futures Program and its Regional Industrial Training Committees.

Ironically — given that community economic development is most closely identified with local municipal units — CED groups often feel that municipal officials and staff do not understand and can be an impediment to the CED process. Steps must be taken to improve the understanding among local government of the role of CED.

Various communities are also pursuing CED through regional alliances, for example, at the county level. The willingness to cooperate with neighbors in surrounding communities in this way makes sense in view of the mobility of the population and the advantages that pooling resources can generate, and we support efforts to increase such regional cooperation.

Options

- The Nova Scotia Government, in consultation with community groups, should formulate a comprehensive policy for facilitating Community Economic Development.

- In the interests of increased productivity and efficiency, the Nova Scotia Government should find ways to integrate and consolidate existing local economic development programs sponsored by federal, provincial and municipal governments.
- Through the Union of Nova Scotia Municipalities, the Nova Scotia Government should help mobilize private and public support for an information, training and technical support program to increase the capacity of municipal bodies to collaborate in Community Economic Development.
- The Nova Scotia Government should make sure appropriate tools are available to CED groups to help them do their activities (e.g. bursaries for CED training, funds for retaining specialists for specific local projects, coordination of provincial and federal initiatives.)
- The Nova Scotia Government should make sure that businesses and entrepreneurs in local communities have access to information relating to funding sources, technology, trade mechanisms, quality and productivity to improve the chance of local businesses achieving competitive success.
- Community Economic Development groups should apply the core values of this consultation document to enhance economic development in their own communities.

Principles

√ The Government must stop spending more than it receives in revenues.

√ The Government, like the private sector, while cooperating with other Maritime provinces, must see itself as being in competition with other regions and thus an integral part of the Nova Scotia drive for competitive success.

√ The Government should collaborate more with the private sector on decisions affecting the private sector.

√ Government departments should invite more private sector input into their priority-setting and budgetary processes.

√ Federal and Provincial Governments should seek more coordination on policy approaches and operations.

√ The Government should move to a tax-based system of incentives for business.

√The Government should change its programs of direct assistance to business so it plays a smaller role overall, and there are clearer criteria for the programs that remain.

Government Role

Government must change. They must base how much they spend on how much they take in. As we noted earlier in this discussion paper, governments simply cannot continue to operate in the ways that they have in the past. For one thing, they simply don't have the dollars — or the borrowing power — to do so any longer. On the contrary, they must now begin to work to reduce and eliminate the huge deficits they have allowed to develop over the years.

That doesn't mean governments no longer have any role to play in the economic future of the province, but that role must change from "doer" in a public sector-based economy to "facilitator" in a private sector-driven one.

In order to strengthen and build a private sector economy, government must strive constantly to improve the business climate — by its collaboration with business, by its programs of support to business and by its own efforts to enhance internal quality and productivity and reduce its deficits and "privatize" appropriate operations.

Let us look first of all at the question of government-business collaboration. We believe government decisions that affect the business climate — provincial budget preparation, new legislation, taxation, environmental enhancement, major government projects, federal-provincial economic development agreements, labor laws, transportation systems, energy and communications issues, and so on — should be taken only *after* discussion with those outside government about the impact of those decisions.

With respect to departmental consultations, a number of departments already talk with appropriate private sector groups on such issues as priority setting and budgets. The approach varies greatly from one department to another, however. The government could improve this situation by establishing a standard, mandatory process — including identifying organizations to be contacted, the form of documentation to be made available and the time to be allowed for input — for every department to follow in its consultations.

With respect to broader issues, the provincial government should designate a specific group — perhaps Voluntary Planning — to serve as the focal point for such private sector interaction. It would be the responsibility of the designated private sector group to ensure that appropriate, affected groups are able to have input into the decision-making process.

The business climate in Nova Scotia is also affected adversely by the frequent lack of dialogue and coordinated action between the federal and provincial governments in areas in which each has responsibility, such as assistance to business.

In fact, it often appears that federal agencies such as ACOA and provincial ones such as the Departments of Industry, Trade and Technology and the Department of Small Business Development are actually competing with one another instead of working together for the com-

mon good. Such poor collaboration can lead to redundancy and waste of scarce government resources.

Government assistance to business also affects the business climate in Nova Scotia.

Such assistance is intended to contribute to both the competitive success of existing businesses and to the start-up or recruitment of new ones. But there are so many programs — some of them incredibly complicated — offered through so many governments and agencies that databases have been developed just to keep track of them all. Although many of these programs are effective and provide benefits to economic development, there is also a sense that:

- programs overlap one another
- granting programs do not enhance competitiveness
- assistance is not centred enough on businesses with potential
- government funding competes with private sector funding.

Nova Scotia's 1984 White Paper on Economic Development, *Building Competitiveness*, called for a Special Committee to review existing provincial and municipal assistance programs to business. In September 1987, the Special Committee submitted a detailed series of 31 recommendations but its report has not been acted upon or released to the public.

Although some slight updating may be necessary, we believe the Special Committee report provides a firm basis for a comprehensive overhaul of business assistance programs. The report emphasizes, in particular, the need for a system that is more effective at generating positive benefits to the economy, and that includes periodic evaluations of its effectiveness. The Special Committee recommended the following major revisions to provincial assistance programs:

- That the qualifications of the applicant receive increased attention in assistance applications;
- That eligibility for assistance be based on long-term financial viability;
- That bail-outs be virtually eliminated and replaced with a system of alternative business opportunities and employment strategies;
- That universality of access to programs is desirable, especially to accommodate small business and service firms;
- That government study greater use of conditional (i.e., repayable) grants;
- That the use of revolving funds to capitalize provincial loan boards be explored;
- That all new programs have sunset clauses, and that existing programs be systematically reviewed by a committee at arms length from government and re-justified if they are to continue, and

- That a system be developed to enable government to accurately determine the "payback" from individual programs.

The Special Committee also found non-monetary assistance (i.e., training and departmental services) is very valuable and recommended that the Government adopt a policy of increasing such assistance as a proportion of the total. It also recommended that the government encourage increased private sector delivery of such assistance. The private sector could efficiently and effectively do a number of things now being done by Government if those activities were privatized.

Privatization was a powerful force for change in the 1980s in many countries, including Britain, the United States and Canada.

Privatization essentially is the transfer of some public sector activity to the private sector. This is usually accomplished by divestiture (selling to the private sector either the whole or a major part of government ownership of an operation) or contracting-out (transferring delivery of a service from the public to the private sector).

There are well-documented benefits from privatization, including cost savings, enhanced efficiency of operations and increased private sector activity. There is also evidence that privatization contributes to overall economic development as privatized operations begin to sell their products or services outside the provincial marketplace.

Nova Scotia has not been an active participant in the move to privatize over the past decade, although certain government departments such as the Department of Government Services and the Department of Transportation and Communications have had successful records of contracting-out services and work on major projects.

Building Competitiveness, Nova Scotia's 1984 White Paper on Economic Development called for government "to examine, on a continuing basis, government in-house services that could be purchased from the private sector." The White Paper Implementation Committee commenced some action on this initiative in 1985, but the initiative lost momentum, and the policy was never put in place.

We are not suggesting privatization for the sake of privatization, but we believe that "strategic" privatization could be used to achieve the goal we set at the beginning of this consultation paper. Nova Scotia should contract out or divest those activities that have clear potential to benefit the economy as a whole — ones that will contribute to creating businesses that will also sell more out-of-province (or reduce imports) — and that result in cost saving to government and benefit the economy.

Finally, if Government is to improve the climate for business growth and development, it must begin to see itself as being in competition with other Governments in Canada and around the world. It must compete in creating a climate that will attract investment and foster entrepreneurship; it must compete in providing infrastructure to enable individual Nova Scotians to compete with workers and management in other jurisdictions; and it must compete in managing its own finances in ways that will make it a place where business can grow. What we mean by that is simply that if Government becomes smaller and more efficient, it can

reduce taxes, thereby lowering the cost of doing business.

And that, of course, will help Nova Scotia achieve the competitive success that is our goal.

Options

- The Nova Scotia Government should establish standard, mandatory processes to govern specific consultations between government departments and private sector groups, and should designate a group to serve as the private sector focal point for coordination and collaboration on the business climate.
- The Nova Scotia Government should seek federal cooperation so that the province has greater flexibility to provide tax incentives.
- The Nova Scotia Government should create a standing committee that will be at arms-length from the government to evaluate all assistance programs (and re-justify their continuance) on a three-year cycle.
- Nova Scotia's Management Board, in consultation with a private sector privatization task force, should undertake a strategic privatization initiative in the Nova Scotia Government.
- The Nova Scotia Government, as part of its commitment to improving efficiency, should revise its approach to government management by giving its managers greater authority over their operations.
- Government and industry must undergo programs of environmental audits to ensure that their economic activities are consistent with sound environmental practices, and Government itself must ensure that its activities are consistent with these practices.

The time has come to pool our capital, our hearts and our minds and build a high-skill, high-wage economy that can compete on an equal footing with any other regional economy in the world.

A CALL TO ACTION

As we noted at the beginning of this consultation paper, Nova Scotia is at a critical crossroads in its economic history. Change is coming; the status quo is not an option.

If we are to take advantage of the opportunities and avoid the threats, we will have to radically change some of our practices of the past.

Some suggest we must learn to live in an era of reduced expectations, because federal and provincial governments are no longer able to support us as they did 20 years ago. Others argue that we don't really need to lower our expectations but simply become more competitive and take greater control of our own destiny.

This report comes down firmly on the side of the latter view. We are proposing an innovative, private sector-led economy centred, not on federal transfer payments or provincial bailouts, but rather on marshalling the efforts of individual Nova Scotians from across the province.

The next phase in developing a final strategy will involve a series of public consultation sessions in all regions in the province in order to get your response to the proposals we are making.

Developing a public consensus on what is the best economic strategy for Nova Scotia — and a resolve to implement that strategy — is vital, because our economic success as a province will depend on the collective effort of all of us working together to achieve our common future.

The time has come to pool our capital, our hearts and our minds and build a high-skill, high-wage economy that can compete on an equal footing with any other regional economy in the world.

The time has come to meet the challenge of change.

Footnotes

1 Statistics Canada. Survey of Literacy Skills Used in Daily Activities. 1989.
2 Ibid.
3 Robert K. Crocker, Science Achievement in Canadian Schools, National and International Comparisons, Economic Council of Canada, 1990.
4 Ibid.
5 Canadian Labour Marketing and Productivity Centre, Speaking Out on Training, 1989.
6 Patrick O'Farrell. Small Manufacturing Competitiveness and Performance: An Analysis of Matched Pairs in Nova Scotia and New England, 1990. p. 8-15
7 Department of Industry, Science and Technology "Survey of Manufacturing Technologies," 1989.
8 Halifax-Dartmouth Port Development Commission, Presentation to House of Commons Standing Committee on Transport, June 12, 1990.
9 Venture Economics Canada Limited